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SUBJECT: CENTRAL VIETNAM'S TALE OF TWO PROVINCES: POLITICS,  
LEADERSHIP AND DEVELOPMENT IN DANANG AND QUANG NAM

REF: A) HCMC 1082; B) 04 HCMC 1528

Summary

1. (SBU): The Consul General led a team to Danang and Quang Nam provinces October 4-7 to broaden U.S. engagement in central Vietnam and to promote U.S. economic, human rights and religious freedom interests. The style and substance of our interaction with the province's two Party Secretaries and their staffs brought into sharp relief contrasting approaches to economic development, party politics and views on ties to the United States that permeate Vietnam's Communist Party in southern and central Vietnam. Ba Thanh, Danang's politically driven, calculating, status quo Party Secretary of Qred little beyond promoting Government-managed infrastructure development. In contrast, Quang Nam's urbane Party Secretary Vu Ngoc Hoang sees his role as ensuring that Quang Nam's legal and administrative framework is transparent and attractive to foreign and domestic investors, with the private sector spearheading the province's growth. Hoang sees the United States as a key ally in Quang Nam's development process; Ba Thanh was far less welcoming. Although Quang Nam is starting from a much lower economic base than Danang, U.S. business contacts tell us that Quang Nam is well on its way to creating the pro-growth, pro-private sector environment Hoang envisions. Septels will report in detail on Quang Nam's tourism and industrial development strategies. Religious freedom issues affecting the Protestant community in Vietnam's central coast were reported in Ref A. End Summary.

Ba Thanh: Conservative King of Danang

2. (SBU) Nothing moves in Danang without the blessing of its 52-year old Party Secretary Ba Thanh, whom a reliable Vietnamese contact from the area called "the Dictator." A fixture in Danang politics for nearly two decades, Thanh was People's Committee Chairman for seven years prior to being elevated to the Party Secretary post in 2004. (Danang and Quang Nam were split to form

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two separate provinces in 1997.)

3. (SBU) Foreign and local contacts all say that Thanh thrives on cultivating an image of a hardnosed, socially conservative but populist politician; as People's Committee Chairman and Party Secretary he routinely dispenses favors and allocates land,

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accepting and approving petitions from Danang's citizens on his walkabouts through the city or on his Saturday morning "meet the people" sessions.

4. (SBU) Danang's development strategy is one-dimensional and mirrors the hardnosed style of Ba Thanh. According to contacts in Danang, Thanh believes that a good infrastructure base -- coupled with the opening of the East-West corridor to Laos and Northern Thailand -- will attract foreign investors in droves. Thus, over the past few years, he has undertaken an ambitious program of road building and widening. In typical Ba Thanh style, he reportedly decides where the roads and bridges go, going as far as to donate a new bridge to Quang Nam Province to ease travel to his hometown.

5. (SBU) Although Thanh told the CG tQt all the road building was internally financed, a well informed American businessman told us Thanh directs financing from State-owned banks in Danang to finance the construction. As a result, the Danang private sector faces a credit crunch. A local furniture manufacturer told us he could not obtain credit to expand his operations. One businessman complained that three major building projects with which his company has been involved have been frozen for the past year because contractors had not been paid by state agencies or state-owned enterprises.

6. (SBU) Thanh highlighted for the CG his leading role in transforming Le Quy Don high school into a showcase institution for cultivating Danang's and Quang Nam's future leaders. Danang invested at least ten million dollars into building the high school campus, which will boast an Olympic-size swimming pool, a spacious dormitory, a huge IT section and top teachers who earn three times the national average. In addition to having an outstanding academic record and passing a rigorous entrance exam, the school's 750 students also must demonstrate that they are of

"high moral caliber."

17. (SBU) Our contacts in Danang say that Thanh is intensely ambitious and is lobbying Hanoi hard for a promotion in advance of next year's tenth Party Congress. He is arguing that his "transformation" of Danang merits his elevation into a more prominent political position in Hanoi or in HCMC.

18. (SBU) While Thanh has a clear political agenda, neither he, nor his colleagues in the People's Committee and Danang Trade Promotion Center, could explain what economic development strategy Danang would follow once the roads were built (which they largely are). Despite the CG's prompting, Thanh would not articulate how he would promote Danang overseas or what other policies were needed to attract foreign investment and stimulate the private sector. Thanh and other key Danang leaders demonstrated no awareness of or interest in policy debates surrounding key economic legislation such as the common investment law, despite their impact on Danang's economic growth. In his meeting with the CG, Thanh also reflected that Vietnamese business needs "more time to adjust" to international competition. He pooh-poohed agricultural reform and said that only through industrialization could Vietnam become a wealthy state. He shrugged when the Consul General pointed out that the United States remains the world's largest agricultural exporter. Using standard Party terminology, Thanh told the CG of the success of his "five NOs" campaign (no illiteracy, beggars, drugs, hunger and murder) and of his plans to launch the follow up "three YESes" campaign (housing, jobs and civilized social lifestyle). Some of our contacts told that the five NOs policy runs only on four main streets of Danang City. However, in separate meetings with Danang Police, RSO found a well-trained and motivated police force starkly loyal to hizzoner.

19. (SBU) Wearing a short sleeve shirt and sporting a heavy five o'clock shadow, Ba Thanh closed his meeting with the CG with a 15-minute monologue on how the United States should manage its relationship with Vietnam. Thanh said he operates under the principal of "not cooperating with those who oppose us." He criticized displays of the flag of the Republic of Vietnam in the United States. Referring to the attendance of prominent dissidents at ConGen's Fourth of July reception, Ba Thanh said that, were he in charge, he would refuse to "have a beer with us" while "lawbreakers" were in the room. In reply, the Consul General observed that, while we would continue to have dealings with dissidents, all our activities would be completely transparent. Moreover, we welcomed a sustained dialogue with the Party and the GVN to narrow differences whenever possible.

Hoang: Reformist "CEO" of Quang Nam  
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110. (SBU) Although they were one province eight years ago, Quang Nam's senior leaders could not be any further in style, substance and approach from Ba Thanh and Danang. In meetings in the provincial capital of Tam Ky October 6 and in HCMC October 18, Party Secretary Vu Ngoc Hoang laid out his plan to transform Quang Nam into the industrial and tourism hub of Central Vietnam, centered respectively around the Chu Lai Open Economic Zone and the UNESCO world heritage site of Hoi An.

111. (SBU) Flanked in both meetings by representatives from the HCMC-based Fulbright Economic Teaching Program (FETP), Hoang was professional, articulate, frank and thoughtful when discussing his province's strengths and weaknesses with the CG. He made it clear that he understands the importance of effective management at all levels of government administration. He portrayed himself as CEO of Quang Nam Inc., developing broad policy outlines and objectives and then allowing his senior staff to flesh out and execute the plan. Quang Nam People's Committee Chairman Nguyen Xuan Phuc, himself a FETP graduate, acts as Hoang's highly capable Chief Operating Officer.

112. (SBU) Hoang and this team welcome and solicit outside advice; Quang Nam has asked FETP to act as de facto consultants as the province moves to develop the Chu Lai O EZ, particularly its legal and regulatory framework. In HCMC, he sought a meeting with AmCham to intensify Quang Nam's dialogue with U.S. business. Hoang said the province also has solicited input from potential O EZ investors to ensure the zone's master plan meets as many of their needs as possible. Hoang said that it was his responsibility to take that proposal to Hanoi and sell it to the Politburo and the GVN, just as he did with the original concept of an O EZ, the first in Vietnam.

113. (SBU) Belying his years of study in the former Soviet Union, Hoang was firm that only the private sector could deliver the economic growth that the Vietnam needs. Government's role is to create the environment -- legal and administrative -- that allows the private sector to flourish. He said he and his team had studied intensively the experience of Binh Duong province near HCMC, which has transformed itself in ten years from a predominately agrarian economy to one of Vietnam's fastest growing industrial provinces (ref b).

114. (SBU) Hoang was comfortable and well versed on national level issues. He acknowledged that the current draft of the common

investment law was unsatisfactory and noted there is a push underway to modify it. Turning to the upcoming tenth Party Congress, Hoang said there is general consensus that the Congress will accelerate Vietnam's economic reform process. However, differences between party factions still are being hammered out over contentious issues such as whether Party members can also have business interests. Vietnam's inability to accede to the WTO before the Party Congress would not have an appreciable impact on the push to accelerate reform. Hoang looked to the Party Congress to boost his ability to adopt more liberal economic policies in Quang Nam.

15. (SBU) Turning to bilateral ties, Hoang made it clear that he saw the United States as a key partner. He wanted his staff to learn U.S. management skills and sought Mission assistance in establishing a sister-city/state relationship with a suitable partner in the United States.

16. (SBU) Comment: One contact close to Ba Thanh said his monologue on bilateral ties and dissidents was particularly intense because Thanh, lobbying hard for a promotion, wanted to burnish his credentials with the conservative faction of the Party with which he associates. Even so, the numerous contrasts between Quang Nam and Danang and between Hoang and Ba Thanh illustrate the gap between reformists in the Party, who generally look to the U.S. as a key partner, and conservatives, who tend to be wary of the implications of more rapid economic reform and international integration on their power and privilege.

17. (SBU) Comment Continued: Throughout southern and central Vietnam, local leadership is the ingredient that explains why one province outshines the other in Vietnam's increasingly competitive and globally integrated economy. U.S. business contacts tell us that Quang Nam is well on its way to creating the pro-growth, pro-private sector environment Hoang envisions. Although Quang Nam is starting from a much lower economic base than Danang (USD 264 GDP per capita to USD 581 in 2004), U.S. investors are placing their investment bets that it will eclipse Danang. End Comment.

#### Additional BIO Notes

18. (SBU) Born in 1953, Ba Thanh served his entire political career in Danang. He was Danang People's Committee Chairman for seven years prior to becoming Party Secretary in 2004. Prior to that, he was Party Chairman of Danang City from 1994-96 and Director of the Department of Agriculture of Quang Nam-Danang Province from 1992-94. Ba Thanh has a B.S. in Forestry and a Ph.D. in Economics. He has not studied overseas. Known for his quick temper and brash style, Ba Thanh is the unquestioned strongman of Danang. Ba Thanh's father was a friend of current Politburo member and Danang strongman Phan Dien. During the Vietnam War, Ba Thanh was selected to study in the North at a special Party school for promising future leaders (truong hoc sinh Mien Nam). Ba Thanh is married and has two children, a son who has just graduated from Danang University College of Economics, and a daughter attending Le Quy Don High School.

19. (SBU) Born in 1952, Vu Ngoc Hoang has been Party Secretary since 2002. From 1995 to 2002, he served as Vice-Chairman and then Chairman of the provincial People's Committee, in charge of planning and finance. Prior to that, he was Party Secretary of Tam Ky District, Quang Nam-Danang province. Hoang studied Agricultural Economics in Minsk in the former Soviet Union. He confided to us that even in school he had a reputation as an independent and critical thinker. Hoang has at least one daughter, who is working towards her bachelor's degree in language and economics at the Sorbonne. Hoang indicated that he wants her to continue her post-graduate studies in the United States.

20. (SBU) Quang Nam People's Committee Chairman, Nguyen Xuan Phuc was born in 1954. He holds a B.A. in industrial economics from the National Economics University of Hanoi. Phuc was one of the first graduates of the Fulbright Economic Teaching Program based in HCMC. From 1978 to 2001, he held a number of positions within the provincial government including the Director of the Department of Planning and Investment and director of the Tourism Department. Phuc is regarded as one of the individuals responsible for Hoi An's emergence as a tourist center. In Central Vietnam he is rumored to be a possible candidate for promotion to Hanoi should the GVN decide to create a Minister for Tourism.

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